



TERMS AND CONDITIONS — PURCHASE AGREEMENT

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THIS IS A LEGALLY BINDING CONTRACT THAT WILL BECOME FINAL WITHIN THREE (3) BUSINESS DAYS. DURING THIS PERIOD YOU MAY CHOOSE TO CONSULT AN ATTORNEY WHO CAN REVIEW AND CANCEL THE CONTRACT. SEE SECTION ON ATTORNEY REVIEW FOR DETAILS. YOU HAVE ADDITIONAL RESCISSION RIGHTS AS SET FORTH IN THIS AGREEMENT AND IN THE PUBLIC OFFERING STATEMENT.

1. DEPOSITS—All deposits shall be held in escrow (i.e., in trust) in "Society Hill at University Heights III Escrow Account" at Chemical Bank of New Jersey, N./A., 334 Madison Avenue, Morristown, New Jersey 07960, as escrow agent for K. Hovnanian at Newark Urban Renewal Corporation III, Inc. until closing of title or termination of this Contract, or until a bond or other guarantee acceptable to the Division of Housing and Development of the New Jersey Department of Community Affairs is provided. In no event shall the escrow be released prior to the expiration of the seven-day cancellation period. Interest accrued from such deposits shall belong to Seller and shall not be credited towards the purchase price.

2. CLOSING CHARGES—If this is a cash sale, and Buyer desires title search, title examination, title insurance policy, survey, or survey certification, Buyer will pay the costs for same. If this is a mortgage sale, Buyer will pay the expenses in the preceding sentence and also mortgage application fee, credit report, appraisal, mortgage title insurance and any fees or costs required by mortgagee. These fees expressly exclude escrows and prepaid charges required by mortgagee.

3. ADJUSTMENT—Taxes for the current year, municipal assessments, maintenance fees, utilities, water and sewer charges, and interest, if any, are to be apportioned as of the date of closing. (Taxes will probably not be billed by the City until after the closing.)

4. CLOSING OF TITLE—Closing of title is to take place immediately after completion of the unit at the time, date and place specified by Seller in notice to Buyer but in no event prior to the estimated completion date as stated on the SUMMARY OF BASIC PROVISIONS without Buyer's consent. Completion shall be evidenced by a Certificate of Occupancy issued by the Municipality, which may be a temporary Certificate of Occupancy. Neither Seller nor mortgagee supplies or pays for Buyer's attorney. Buyer may have his own attorney at Buyer's own expense. The Buyer will close title even if all site improvements and other improvements have not been completed. By way of compliance with the Interstate Land Sales Act, the Seller states that this Agreement is for the sale of a condominium unit on improved land which the Seller, if there are no unanticipated circumstances totally outside of the control of the Seller, is obligated to erect within a period of two years. If Buyer is unable or refuses to close on the date and at the time specified by Seller as set forth above, at Seller's option, Seller may exercise its rights set forth in paragraph 12 below or have Buyer reimburse Seller at or prior to closing for the total reasonable carrying and administrative costs for postponing the closing to another time, date and place specified by Seller which sum shall not exceed 10% of the total purchase price plus optional upgrades ordered and installed in the Unit. Proceeds of closing are to be paid to Seller only by certified or bank cashiers check. Uncertified attorney's trust account or other checks are not acceptable.

5. **TITLE**—Seller agrees to deliver a Bargain and Safe Deed with Covenant As To Grantor's Acts, Affidavit of Title, and Corporate Resolution at closing of title. Title shall be good and marketable such as will be insured at regular rates by a reputable title company licensed to do business in the State of New Jersey. The willingness of Eastern Title Agency, Inc., One Industrial Way, West, Building B, Eatontown, New Jersey 07724, as agent for First American Title Insurance Company, to insure title to the premises shall constitute good and marketable title. Buyer is not obligated to obtain title insurance from Eastern Title Agency, Inc., which is an affiliate of the Seller.

6. **POSSESSION**—Possession will be given by delivery of the Deed upon completion of final closing and receipt of the full purchase price by the Seller as provided for in this Agreement, together with all closing costs.

7. **BUYER'S REPRESENTATION**—Buyer represents that he has received a copy of the Public Offering Statement, the Master Deed and Bylaws (the "Documents") and that he will comply with the terms of the Documents.

8. **CHANGES IN PLANS**—Seller shall have the right to make substitution of materials, equipment or make design changes whenever Seller shall find it necessary or expedient in its absolute discretion, provided that such substitutions or changes are of comparable or better quality. Furnishings, of course, are not included.

9. **FIRE AND OTHER CASUALTY**—The risk of loss or damage to the property by fire or otherwise until closing of title is on the Seller.

10. **MEMBERSHIP IN SOCIETY HILL AT UNIVERSITY HEIGHTS CONDOMINIUM ASSOCIATION**—Upon closing of title, Buyer will automatically become a member of Society Hill at University Heights Condominium Association, Inc. (the "Association"). The Association will provide supervision, fiscal and general maintenance and management for any recreation areas, common areas, and Association owned lands, including the assessing and collection of common expenses, and has the authority to promulgate rules and regulations as to the use of any recreational areas and common areas of the development. At closing of title, Seller shall collect on behalf of the Association a non-refundable maintenance deposit in an amount equal to three (3) months of the annual maintenance fees. This deposit will be administered in accordance with the Master Deed and the Bylaws of the Association.

11. **LICENSE**—The Buyer does hereby authorize and grant to the Seller the irrevocable right to enter into, upon, over or under the premises for a period of two (2) years after the date of closing on prior notice to Buyer and at reasonable hours (except in cases of emergency) for the completion of construction, repair, emergency matters or pursuant to governmental order or requirement. This provision shall survive closing.

12. **DEFAULT OF BUYER**—Should Buyer fail to make payments, violate any of the conditions or covenants or fail, for any reason, to close title (i.e., complete the purchase) according to the terms and conditions of this Agreement, the Buyer will be in default (i.e., will have broken Buyer's promises in this agreement). If the Buyer is in default, the Seller may retain payments made by Buyer, but not more than ten (10%) percent of the purchase price, plus the amount of any options or upgrades installed by Seller. Seller will retain the money either on account of the purchase price or as liquidated damages. Liquidated damages are a fixed amount to be paid to Seller which the parties agree will be a reasonable estimate of the damages in the event of Buyer's default, since Seller's actual damages would be difficult to establish. If Seller elects to retain money as liquidated damages, this contract shall become null and void in which event the Seller agrees to return to Buyer all remaining money, if any.

13. **SELLER'S INABILITY TO DELIVER DEED**—If Seller's title proves unmarketable, or if Seller does not construct, complete, or convey the dwelling unit referred to in this Agreement within six (6) months of the date specified on the Summary of Basic Provisions as the Estimated Completion Date due to any reason beyond the control of the Seller, Buyer may elect to cancel this Agreement. This must be done by serving written notice of cancellation upon the Seller within fifteen (15) calendar days after the date which is six (6) months following the specified Estimated Completion Date. In the event that Buyer elects to cancel this Agreement as described in the preceding sentence, Seller's sole obligation shall be to return all deposit monies paid under this Agreement, without interest, and reimburse Buyer for the actual cost of title search and survey, if any, within 10 business days of Seller's receipt of Buyer's notice of cancellation pursuant to this paragraph 13 and this contract shall become null and void. If this Agreement is not cancelled as described in this paragraph, then this Agreement shall remain in full force and effect and Seller will not be responsible for any expenses which the Buyer might incur as a result of the delay in closing. The phrase "for any reason beyond the control of the Seller" is hereby defined as including but not limited to any governmental agency's imposition of a moratorium on construction or any such agency's failure to issue or its revocation or suspension of any permits and/or approvals necessary for the Seller to perform its obligation in accordance with the terms of this Agreement.

14. **INCREASE IN TOTAL PURCHASE PRICE**—If Seller is or will be unable to construct, complete or convey the dwelling unit referred to in this Agreement within six (6) months of the date specified on the Summary of Basic Provisions as the Estimated Completion Date due to any reason beyond the control of the Seller, Seller may increase the Total Purchase Price of the unit in accordance with the terms of this paragraph. The phrase "due to any reason beyond the control of the Seller" is hereby defined as including but not limited to any governmental body or agency's imposition of a moratorium on construction or any such body or agency's failure to issue or its revocation or suspension of any permits and/or approvals necessary for the Seller to perform its obligation in accordance with the terms of this Agreement.

The Seller must give the Buyer written notice of the increase in the Total Purchase Price at least sixty (60) days prior to closing of title. In no event shall any such increase take effect during the six (6) month period following the Estimated Completion Date. If the Buyer does not wish to pay the increase, the Buyer may elect to cancel this Agreement. In order to cancel this Agreement, the Buyer must provide the Seller with written notice. To be effective, the written notice of cancellation must be received by the Seller no more than ten (10) days after the Buyer received notice of the price increase. If a notice of cancellation is not received by the Seller during that ten (10) day period, the Buyer will have agreed to pay the increased Total Purchase Price specified in the notice of increase. The increased Total Purchase Price will be substituted for that specified in the Summary of Basic Provisions. The amount of the increase will be added to the balance due which the Buyer must pay in cash at closing of title.

If the Buyer provides a proper notice of cancellation, the Seller will promptly refund all deposit monies paid, without interest, within ten (10) business days of Seller's receipt of Buyer's notice of cancellation. When the Buyer has received this paragraph 14. When the buyer has received this refund, neither the Seller nor the Buyer will have any further obligation to one another under this Agreement.

15. **ASSIGNMENT**—Buyer expressly agrees not to assign, sell or in any manner transfer this Agreement or any right, title and interest in this Agreement.

16. **NO CLOUD ON TITLE—LIENS**—If the property is subject to a mortgage or other lien (i.e., legal claim) at time of closing of title, the mortgage or other lien shall not constitute a title defect, but may be satisfied from the proceeds of sale.

17. **DECORATOR SELECTIONS**—Buyer agrees to make decorator, appliance and extra item selections when requested to do so by Seller. If Buyer fails to make such selections within the time period requested by Seller, Buyer hereby agrees that Seller shall make such selections for Buyer and Buyer agrees to accept such selections.

18. **WARRANTIES**—Seller shall warrant the construction to the Buyer as provided in the New Home Warranty and Builders' Registration Act, N.J.S.A. 46:3B-1 et. seq. (the "Warranty Act"). Seller also warrants the construction of the common facilities for a period of two (2) years from the date of completion of each facility and that they are fit for their intended use. Further, the Seller warrants the following to be free from defects due to material and workmanship for a period of one (1) year from the date of closing: outbuildings, driveways, walkways, patios, retaining walls and fences, if any. Seller also warrants that all drainage is proper and adequate and that offsite improvements, if any, are free from defects for a period of one year from the date of construction. Except as stated in this Agreement, there are no other warranties, express or implied. In particular, there is no implied warranty of fitness for a particular purpose, nor is there any implied warranty of merchantability. While Seller maintains control of the Board of Trustees of the Association, he shall take no action which adversely affects a homeowner's